

EXHIBIT B

WISEBITS LTD
ANNUAL REPORT AND FINANCIAL
STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2018

WISEBITS LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**CONTENTS****PAGE**

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WISEBITS LTD

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors: Constantinos Christoforou

Company Secretary: Demetra Papachilleos (appointed on 1 June 2019)
Wisebits Management Ltd (resigned on 1 June 2019)

Independent Auditors: Deloitte Limited
Certified Public Accountants and Registered Auditors
Maximos Plaza, Tower 1, 3rd Floor
213 Arch. Makariou III Avenue
3030 Limassol
Cyprus

Legal Advisor: D. Papachilleos & Co. LLC, Cyprus

Registered Office: Spyrou Kyprianou, 79
Protopapas Building, 2nd floor, flat 201
3076, Limassol
Cyprus

Bankers: Bendura Bank AG, Liechtenstein

Registration Number: HE 344672

WISEBITS LTD

MANAGEMENT REPORT

The Board of Directors of Wisebits Ltd (the "Company") presents to the members its management report and audited financial statements of the Company for the year ended 31 December 2018.

Incorporation

The Company was incorporated in Cyprus on 24 June 2015 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113.

Principal activity and nature of operations of the Company

The principal activity of the Company is that of investment holding.

Review of current position, future developments and performance of the Company's business

The Company's development to date, financial results and position as presented in the financial statements are considered satisfactory.

The Board of Directors does not expect major changes in the principal activities of the Company in the foreseeable future.

Principal risks and uncertainties

The principal risks and uncertainties faced by the Company and the steps taken to manage those risks are described in note 5 of the financial statements.

Existence of branches

The Company does not maintain any branches.

Results

The Company's results for the year are set out on page 6.

Dividends

The Board of Directors declared dividends to the shareholders of US\$9,064,557.

Share capital

There were no changes in the authorised and issued share capital of the Company during the year.

Board of Directors

The sole member of the Company's Board of Directors as at 31 December 2018 and at the date of this report is presented on page 1. The sole Director was a member of the Board of Directors throughout the year ended 31 December 2018.

In accordance with the Company's Articles of Association the sole Director presently member of the Board continues in office.

There were no significant changes in the remuneration of the Board of Directors.


Events after the reporting period

Any significant events that occurred after the end of the reporting period are described in note 16 to the financial statements.

Independent Auditors

The independent auditors, Deloitte Limited, have expressed their willingness to continue in office and a resolution authorising the Board of Directors to fix their remuneration will be submitted at the forthcoming Annual General Meeting.

By order of the Board of Directors,



Constantinos Christoforou
Director

Limassol, 30 March 2020



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Independent Auditor's Report

To the Members of Wisebits Ltd

Report on the Audit of the Financial Statements

Adverse Opinion

We have audited the financial statements of Wisebits Ltd (the "Company"), which are presented in pages 6 to 19 and comprise the statement of financial position as at 31 December 2018, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of our report, the accompanying financial statements do not give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for Adverse Opinion

As stated in note 2 to the financial statements, the Company has not prepared consolidated financial statements as required by the Companies Law, Cap. 113 and International Financial Reporting Standard (IFRS) 10 'Consolidated Financial Statements'. The presentation of consolidated information is fundamental for a proper understanding of the financial position, the financial performance and the cash flows of the Company and its subsidiaries.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the management report and the additional information to the statement of profit or loss, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Independent Auditor's Report (continued)

To the Members of Wisebits Ltd (continued)

Responsibilities of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Independent Auditor's Report (continued)

To the Members of Wisebits Ltd (continued)

Report on Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, the Management report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap 113, and the information given is consistent with the financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Management report.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

A handwritten signature in blue ink, appearing to read "Vlachos".

Kyriakos Vlachos
Certified Public Accountant and Registered Auditor
for and on behalf of

Deloitte Limited
Certified Public Accountants and Registered Auditors
Maximos Plaza, Tower 1, 3rd Floor
213 Arch. Makariou III Avenue
3030 Limassol
Cyprus

Limassol, 30 March 2020

WISEBITS LTD**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 US\$	2017 US\$
Dividend income		9,214,097	-
Administration expenses		(9,359)	(11,887)
Operating profit/(loss)	6	9,204,738	(11,887)
Net finance income/(costs)	7	31,911	(309)
Net foreign exchange (loss)/gain		(173,130)	48,250
Profit before income tax		9,063,519	36,054
Income tax	8	(4,122)	(4,610)
Profit for the year		9,059,397	31,444
Other comprehensive income		-	-
Total comprehensive income for the year		9,059,397	31,444

The notes on pages 10 to 19 form an integral part of these financial statements.

WISEBITS LTD**STATEMENT OF FINANCIAL POSITION**
AT 31 DECEMBER 2018

	Note	2018 US\$	2017 US\$
ASSETS			
Non-current assets			
Investments in subsidiaries	9	571,437	150,350
Loans receivable	10	8,410,049	3,518,630
		<u>8,981,486</u>	<u>3,668,980</u>
Current assets			
Trade and other receivables	11	4,545,185	581,916
Loans receivable	10	-	647,160
Cash and bank balances	12	7,030,885	4,230,635
		<u>11,576,070</u>	<u>5,459,711</u>
TOTAL ASSETS		<u>20,557,556</u>	<u>9,128,691</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	13	1,089	1,089
Retained earnings		29,114	34,274
Total equity		<u>30,203</u>	<u>35,363</u>
Non-current liabilities			
Trade and other payables	14	3,659,128	9,067,827
		<u>3,659,128</u>	<u>9,067,827</u>
Current liabilities			
Trade and other payables	14	16,868,225	25,501
		<u>16,868,225</u>	<u>25,501</u>
Total liabilities		<u>20,527,353</u>	<u>9,093,328</u>
TOTAL EQUITY AND LIABILITIES		<u>20,557,556</u>	<u>9,128,691</u>

On 30 March 2020 the Board of Directors of Wisebits Ltd authorised these financial statements for issue.


Constantinos Christoforou
Director

The notes on pages 10 to 19 form an integral part of these financial statements.

WISEBITS LTD**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Share capital US\$	Retained earnings US\$	Total US\$
Balance at 1 January 2017	1.089	2.830	3.919
Profit for the year	-	31.444	31.444
Balance at 1 January 2018	1.089	34.274	35.363
Profit for the year	-	9.059.397	9.059.397
Dividends	-	(9.064.557)	(9.064.557)
Balance at 31 December 2018	1.089	29.114	30.203

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at 17% will be payable on such deemed dividends to the extent that the ultimate shareholders are both Cyprus tax resident and Cyprus domiciled. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable by the Company for the account of the shareholders.

The notes on pages 10 to 19 form an integral part of these financial statements.

WISEBITS LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018****1. Incorporation and principal activities****Country of incorporation**

Wisebits Ltd (the "Company") was incorporated in Cyprus on 24 June 2015 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113. Its registered office is at Spyrou Kyprianou, 79, Protopapas Building, 2nd floor, flat 201, 3076, Limassol, Cyprus.

Principal activity

The principal activity of the Company is that of investment holding.

2. Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), except for the preparation of consolidated financial statements as required by the Cyprus Companies Law, Cap. 113 and by the International Financial Reporting Standard 10 'Consolidated Financial Statements'. The financial statements have been prepared under the historical cost convention.

The Company will not prepare consolidated financial statements in accordance with IFRSs for the Company and its subsidiaries for the year ended 31 December 2018.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the Company's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

Going concern basis

Even though the Company has made a profit of US\$9,059,397 for the year ended 31 December 2018, as of that date the Company's current liabilities exceeded its current assets by US\$5,292,155. The Company is dependent upon the continuing financial support of its shareholder without which there would be significant doubt about its ability to continue as a going concern as well as its ability to realise its assets and discharge its liabilities in the ordinary course of business. The shareholder has indicated his intention to continue providing such financial assistance to the Company to enable it to continue as a going concern and to meet its obligations as they fall due.

3. Adoption of new or revised standards and interpretations

During the current period the Company adopted all the new and revised International Financial Reporting Standards (IFRSs) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2018. This adoption did not have a material effect on the accounting policies of the Company, with the exception of IFRS 9.

In accordance with the transition provisions in IFRS 9 and IFRS 15, the Company has elected the simplified approach for adoption of the standards. Accordingly, IFRS 9 and IFRS 15 were adopted without restating the comparative information. The comparative information is prepared in accordance with IAS 39 and IAS 18, and any impact of adoption should be recognised in the opening retained earnings.

WISEBITS LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

3. Adoption of new or revised standards and interpretations (continued)**(i) IFRS 9 "Financial instruments"**

IFRS 9 "Financial instruments" replaces the provisions of IAS 39 that relate to recognition and derecognition of financial instruments and classification and measurement of financial assets and financial liabilities. IFRS 9 further introduces new principles for hedge accounting and a new forward looking impairment model for financial assets.

The adoption of IFRS 9 by the Company leads to changes in accounting policies for recognition, classification and measurement of financial assets and liabilities and impairment of financial assets. The Company does not hold financial assets and liabilities that would be impacted in terms of recognition, classification and measurement, other than its bank balances and receivables which are subject to IFRS 9's new expected credit loss model.

Based on the assessment performed by the management, the incremental impairment loss as of 1 January 2018 was insignificant, thus no losses have been recognised in the financial statements.

The Company's new accounting policies following the adoption of IFRS 9 at 1 January 2018 are set out in note 5.1.

(ii) IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 "Revenue from Contracts with Customers" and related amendments superseded IAS 18 "Revenue", IAS 11 "Construction Contracts" and related interpretations and establishes uniform requirements regarding the nature, amount and timing of revenue recognition. IFRS 15 introduces the core principle that revenue must be recognised in such a way to depict the transfer of goods or services to customers and reflect the consideration that the entity expects to be entitled to in exchange for transferring those goods or services to the customer; the transaction price.

Based on an analysis of the Company's revenue streams and individual contracts' terms and on the basis of the facts and circumstances relating to the Company's revenue transactions, it has been assessed that there is no impact on the Company's revenue recognition from the adoption of IFRS 15 "Revenue from Contracts with Customers".

At the date of approval of these financial statements, standards and interpretations were issued by the International Accounting Standards Board which were not yet effective. The Board of Directors expects that the adoption of these accounting standards in future periods will not have a material effect on the financial statements of the Company.

4. Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below.

Subsidiary companies

Subsidiaries are entities controlled by the Company. Control exists where the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Investments in subsidiary companies are stated at cost less provision for impairment in value, which is recognised as an expense in the period in which the impairment is identified.

Finance income

Interest income is recognised on a time-proportion basis using the effective method.

Finance costs

Interest expense and other finance costs are charged to profit or loss as incurred.

WISEBITS LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018****4. Significant accounting policies (continued)****Foreign currency translation****(1) Functional and presentation currency**

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in United States Dollars (US\$), which is the Company's functional and presentation currency.

(2) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Income tax

Current tax liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted, or substantively enacted, by the reporting date.

Dividends

Dividend distribution to the Company's shareholders is recognised in the Company's financial statements in the year in which they are approved by the Company's directors.

Financial assets - Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("FVOCI") or through profit or loss ("FVTPL"), and
- those to be measured at amortised cost

The classification and subsequent measurement of debt financial assets depends on: (i) the Company's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset. On initial recognition, the Company may irrevocably designate a debt financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI to be classified at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The financial assets at amortised cost are held with the objective to collect their contractual cash flows and their cash flows represent solely payments of principal and interest. Accordingly, these are measured at amortised cost using the effective interest method, less provision for impairment. Financial assets at amortised cost are classified as current assets if they are due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non current assets.

For investments in equity instruments that are not held for trading, classification will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI. This election is made on an investment by investment basis.

All other financial assets are classified as measured at FVTPL.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

Financial assets - Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

WISEBITS LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018****4. Significant accounting policies (continued)****Financial assets - Measurement**

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

Financial assets - Impairment - credit loss allowance for ECL

The Company assesses on a forward looking basis the expected credit loss ("ECL") for debt instruments measured at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Company measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

The carrying amount of the financial assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of profit or loss and other comprehensive income. Debt instruments measured at amortised cost are presented in the statement of financial position net of the allowance for ECL. For loan commitments and financial guarantee contracts, a separate provision for ECL is recognised as a liability in the statement of financial position.

Expected losses are recognized and measured according to one of two approaches: general approach or simplified approach.

For trade receivables including trade receivables with a significant financing component and contract assets the Company applies the simplified approach permitted by IFRS 9, which uses lifetime expected losses to be recognised from initial recognition of the financial assets. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date.

For all other financial assets that are subject to impairment under IFRS 9, the Company applies the general approach. The Company applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 month ECL"). If the Company identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). If the Company determines that a financial asset is credit impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL.

Additionally the Company has decided to use the low credit risk assessment exemption for investment grade financial assets. If the credit risk of the financial instrument is low at the reporting date, it can be assumed that credit risk on the financial instrument has not increased significantly since initial recognition and the expected credit losses are measured at an amount equal to the 12 month ECL.

Refer to note 5.1 credit risk section for a description of how the Company determines low credit risk financial assets.

Financial assets - Reclassification

Financial instruments are reclassified only when the business model for managing those assets changes. The reclassification has a prospective effect and takes place from the start of the first reporting period following the change.

WISEBITS LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018****4. Significant accounting policies (continued)****Financial assets - Write-off**

Financial assets are written-off, in whole or in part, when the Company exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Company may write-off financial assets that are still subject to enforcement activity when the Company seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Financial liabilities - Measurement categories

Financial liabilities are initially recognised at fair value and classified as subsequently measured at amortised cost, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Share capital

Ordinary shares are classified as equity.

Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

5. Financial risk management**Financial risk factors**

The Company is exposed to credit risk, liquidity risk, currency risk and capital risk arising from the financial instruments it holds. The risk management policies employed by the Company to manage these risks are discussed below:

5.1 Credit risk

Credit risk refers to the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

The Company has the following types of financial assets that are subject to the expected credit loss model:

- receivables from related parties
- loans receivable
- bank balances

Receivables (receivables from related parties, loans receivable)

In determining the recoverability of receivables, the Company performs a risk analysis in accordance with the ECL method considering their credit quality, the age of the outstanding amount and any past default experience. The expected credit loss rates applied to the receivables are close to zero, which represent the historical default rates experienced by the Company, adjusted to reflect forward looking information on macroeconomic factors and industry default rates and loss rates affecting the ability of the debtors to settle the receivables. On that basis, the loss allowance as at 31 December 2018 and 1 January 2018 (on adoption of IFRS 9) for receivables was assessed to be minimal and no loss allowance has been recognized in the financial statements.

WISEBITS LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018****5. Financial risk management (continued)****5.1 Credit risk (continued)**Bank balances

The Company's bank balances are US\$7.030.776 (2017: US\$4.230.526).

The Company measures its expected credit loss for its bank balances by reference to the bank's external credit ratings and relevant published default rates. On that basis, the loss allowance as at 31 December 2018 and 1 January 2018 (on adoption of IFRS 9) for the Company's bank balances was assessed to be minimal and no loss allowance has been recognized in the financial statements.

5.2 Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets.

5.3 Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's measurement currency. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Euro. The Company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

5.4 Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from last year.

6. Operating profit/(loss)

	2018 US\$	2017 US\$
Operating profit/(loss) is stated after charging the following items:		
Auditor's remuneration - current year	7.500	7.556
Auditor's remuneration - prior years	-	1.852

7. Net finance costs

	2018 US\$	2017 US\$
Interest income	37.668	4.432
Finance income	37.668	4.432
Bank charges	(5.757)	(4.741)
Finance costs	(5.757)	(4.741)
Net finance income/(cost)	31.911	(309)

8. Income tax

	2018 US\$	2017 US\$
Corporation tax - current year	5.455	4.610
Corporation tax - prior year	(1.333)	-
Charge for the year	4.122	4.610

WISEBITS LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018****8. Income tax (continued)**

The total charge for the year can be reconciled to the accounting profit as follows:

	2018 US\$	2017 US\$
Profit before income tax	<u>9,063,519</u>	<u>36,054</u>
Income tax calculated at the applicable tax rates	1,132,940	4,507
Tax effect of expenses not deductible for income tax purposes	58,541	6,813
Tax effect of allowances and income not subject to income tax	(1,185,945)	(6,040)
Tax effect of tax losses brought forward	-	(1,089)
Tax effect of group tax relief	(604)	-
Effect on tax charge due to exchange difference	28	-
10% additional charge	495	419
Prior year income tax adjustment	<u>(1,333)</u>	<u>-</u>
Tax charge	<u>4,122</u>	<u>4,610</u>

The Company is subject to corporation tax on taxable profits at the rate of 12.5%.

Under certain conditions interest income may be subject to defence contribution at the rate of 30%. In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 17%.

9. Investments in subsidiaries

	2018 US\$	2017 US\$
Balance at 1 January	150,350	52,161
Additions	<u>421,087</u>	<u>98,189</u>
Balance at 31 December	<u>571,437</u>	<u>150,350</u>

The details of the subsidiaries are as follows:

<u>Name</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	<u>Holding %</u>	2018 US\$	2017 US\$
Wisebits Ad Net Ltd	Cyprus	Exploitation of intellectual property rights	100	1,073	1,073
On Media Holding Limited	British Virgin Islands	Investment Holding	100	50,000	50,000
Wisebits Management Ltd	Cyprus	Dormant	100	1,088	1,088
Smart Goose Solutions Ltd	Cyprus	Software services	100	1,079	1,079
Traffic Stars Ltd	Cyprus	Web traffic	99	<u>518,197</u>	<u>97,110</u>
				<u>571,437</u>	<u>150,350</u>

On 20 December 2018, the Company has purchased 10,000 ordinary shares in Traffic Stars Ltd from Terkedev Holdings Limited for a consideration of US\$421,087, increasing its shareholding from 89.1% in 2017 to 99% in 2018.

10. Loans receivable

	2018 US\$	2017 US\$
Balance at 1 January	4,165,790	-
Additions	4,891,419	4,237,985
Repayments	<u>(647,160)</u>	<u>(72,195)</u>
Balance at 31 December	<u>8,410,049</u>	<u>4,165,790</u>

WISEBITS LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018****10. Loans receivable (continued)**

	2018 US\$	2017 US\$
Loan to subsidiary company (i)	3.437.300	1.483.714
Loans to related parties connected with the ultimate controlling party (ii)	4.972.749	2.682.076
	8.410.049	4.165.790
Less current portion	-	(647.160)
Non-current portion	8.410.049	3.518.630

(i) In 2017, a loan of an amount up to €2.000.000 was provided to a subsidiary company and is repayable on 2 June 2021. The loan is unsecured and bears no interest. Overdue amount bears interest of 0,1% per day of delay. In 2018, the loan limit amount was increased to €4.000.000.

(ii) In 2017, loans were provided to related parties connected with the ultimate controlling party for a total amount up to €5.800.000. In 2018, the limit of one of the loans increased by €2.000.000. In addition, in 2018, the outstanding loan of one of the related parties, with a loan limit of €600.000, was transferred to a subsidiary company and was considered as fully settled. The outstanding loans are repayable on 2 July 2020 and on 8 June 2023 respectively. The loans are unsecured and bear no interest. For the loan that is repayable on 8 June 2023 the overdue amount will bear interest of 0,1% per day of delay.

11. Trade and other receivables

	2018 US\$	2017 US\$
Receivables from related parties (Note 15.1)	4.545.185	581.916
	4.545.185	581.916

The fair values of trade and other receivables due within one year approximate to their carrying amounts as presented above.

The exposure of the Company to credit risk and impairment losses in relation to trade and other receivables is reported in note 5 of the financial statements.

12. Cash and bank balances

For the purposes of the statement of cash flows, the cash and cash equivalents include the following:

Cash and cash equivalents by type:

	2018 US\$	2017 US\$
Cash in hand	109	109
Cash at bank	7.030.776	4.230.526
	7.030.885	4.230.635

13. Share capital

	2018 Number of shares	2018 €	2017 Number of shares	2017 €
Authorised				
Ordinary shares of €1 each	1.000	1.000	1.000	1.000
		US\$		US\$
Issued and fully paid				
Balance at 1 January	1.000	1.089	1.000	1.089
Balance at 31 December	1.000	1.089	1.000	1.089

WISEBITS LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018****14. Trade and other payables**

	2018 US\$	2017 US\$
Shareholder's balance (Note 15.3)	3,659,128	9,067,827
Other payables and accruals	444,873	12,165
Payables to related parties (Note 15.2)	<u>16,423,352</u>	<u>13,336</u>
	20,527,353	9,093,328
Less non-current payables	<u>(3,659,128)</u>	<u>(9,067,827)</u>
Current portion	<u>16,868,225</u>	<u>25,501</u>

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

15. Related party balances

The balances with related parties are as follows:

15.1 Receivables from related parties (Note 11)

Name	Nature of transactions	2018 US\$	2017 US\$
Related parties connected with the ultimate controlling party	Non-trade	<u>4,545,185</u>	<u>581,916</u>
		<u>4,545,185</u>	<u>581,916</u>

15.2 Payables to related parties (Note 14)

Name	Nature of transactions	2018 US\$	2017 US\$
Related party connected with the ultimate controlling party	Non-trade	<u>16,423,352</u>	<u>13,336</u>
		<u>16,423,352</u>	<u>13,336</u>

15.3 Shareholder's balance (Note 14)

	2018 US\$	2017 US\$
Shareholder's balance	<u>3,659,128</u>	<u>9,067,827</u>
	<u>3,659,128</u>	<u>9,067,827</u>

The shareholders' balances are interest free and are repayable in accordance with the funds availability of the Company.

WISEBITS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

16. Events after the reporting period

There were no material events after the reporting period, which have a bearing on the understanding of the financial statements.

Independent auditor's report on pages 3 to 5

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WISEBITS LTD**DETAILED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Page	2018 US\$	2017 US\$
Dividend income		9.214.097	-
Administration expenses	21	(9.359)	(11.887)
Operating profit/(loss)		9.204.738	(11.887)
Net finance income/(costs)	22	31.911	(309)
Net foreign exchange (loss)/gain		(173.130)	48.250
Profit before income tax		9.063.519	36.054

WISEBITS LTD

ADMINISTRATION EXPENSES
 FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 US\$	2017 US\$
Administration expenses		
Annual levy	410	380
Sundry expenses	92	-
Auditor's remuneration - current year	7.500	7.556
Auditor's remuneration - prior years	-	1.852
Professional fees	1.357	2.099
	<u>9.359</u>	<u>11.887</u>

WISEBITS LTD

FINANCE INCOME/COSTS
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 US\$	2017 US\$
Finance income		
Interest income	<u>37.668</u>	<u>4.432</u>
	<u>37.668</u>	<u>4.432</u>
Finance costs		
Bank charges	<u>5.757</u>	<u>4.741</u>
	<u>5.757</u>	<u>4.741</u>
Net finance income/(costs)	<u>31.911</u>	<u>(309)</u>

WISEBITS LTD**COMPUTATION OF CORPORATION TAX
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Page 20	US\$	US\$
Profit per income statement			9.063.519
<u>Add:</u>			
Interest imposed under the arm length principles - related parties		285.702	
Interest on loans to acquire assets not used in the business		9.087	
Net foreign exchange losses		173.130	
Annual levy		410	
			<u>468.329</u>
			9.531.848
<u>Less:</u>			
Corresponding adjustment on related party transactions		273.464	
Dividends - Exempt from defence		9.214.097	
			<u>(9.487.561)</u>
Chargeable income for the year			<u>44.287</u>
			€
Converted into € at US\$ 1,143790 = €1			<u>38.720</u>
Losses surrendered to Company from group companies			
Smart Goose Solutions Ltd			(3.981)
Wisebits Management Ltd			<u>(225)</u>
Chargeable income			<u>34.514</u>
Calculation of corporation tax			
	Income €	Rate %	Total € c
Income tax at normal rates:			
Chargeable income as above	<u>34.514</u>	12,50	4.314,25
10% additional charge			<u>431,43</u>
TAX PAYABLE			<u>4.745,68</u>

WISEBITS LTD

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CYPRUS

HE 344672

REPORT AND FINANCIAL STATEMENTS

The report of the Board of Directors, the Auditor's report and Financial Statements of the company for the period from 1 January 2018 to 31 December 2018 are true copies of those presented at the Annual General Meeting that took place on 31 December 2018.

Signature
Director

Signature
Secretary

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